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## STATEMENT

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

#### **H.B. No. 5364 – AN ACT REQUIRING UNINSURED AND UNDERINSURED MOTORIST COVERAGE TO BE OPTIONAL AND CONCERNING UNDERINSURED MOTORIST CONVERSION COVERAGE**

#### COMMITTEE ON INSURANCE AND REAL ESTATE

March 4, 2014

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on House Bill No. 5364. PCI is a national property casualty trade association comprised of over 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI member companies write approximately 49 percent of all personal lines insurance sold in Connecticut.

PCI is not opposed to the concept of making uninsured and underinsured motorist (UM/UIM) coverage optional and we generally support measures which would allow consumers to choose what levels and types of coverage are most appropriate for them. We are, however, strongly opposed to the provisions of the bill requiring insurers to procure a signed informed consent form from insureds who decline to purchase UM/UIM coverage or underinsured conversion coverage. The bill is even more objectionable due to the penalty included if the insurer is unable to procure such form from its insured which is that the insurer would be required to provide such coverage to the insured for free.

Given the fact that most auto insurance purchases do not occur in a face to face transaction these days, but rather take place by phone or electronically, it will be very difficult for insurers to secure the signed informed consent required by this bill. When insurance is sold by means other than an in-person sale, it would be up to the insured to send the signed informed consent document back to the insurer and if the insured forgets to do so or the document gets lost in the mail or otherwise misdirected, the insurer will have to provide coverage for free. Obviously insurers cannot be providing free coverage and the additional costs resulting from this requirement will be passed on to all policyholders.

It should be noted additionally, that the bill language appears to require the signed informed consent not only at the time of initial purchase of a policy on or after January 1, 2015, but also upon first renewal on or after January 1, 2015. It is even more unlikely that policyholders would return this signed informed consent at renewal, because most people simply pay their premium at renewal and move on with their lives. The likelihood that they would also sign the informed consent and mail it back to the insurer is small, thereby

greatly increasing the instances where insurers would need to provide free insurance coverage under the provisions of this bill.

Since providing free coverage to a large portion of CT drivers is clearly not a viable outcome, insurers must be allowed the opportunity to cancel a policy if the insured does not return the informed consent. PCI would submit that amendments to CT's cancellation/nonrenewal provisions would need to be included in this bill so as to specifically allow cancellation of a policy of a policyholder who fails to return the signed informed consent form. Obviously, this would not be a positive outcome for insurers or policyholders as it would lead to great confusion and hassle for cancelled policyholders and may increase the incidence of uninsured driving, but insurers simply cannot be required to provide free coverage.

The bill's requirement that the informed consent form set forth the premium cost for each of the coverage options will also be a costly administrative nightmare for insurers. This language will require insurers to specifically tailor the consent form for each policyholder as premium costs will differ among policyholders. Obviously, this would be a costly and burdensome undertaking. In addition, litigation costs resulting from this bill's requirements will also likely be significant as there will likely be numerous lawsuits filed by those seeking to obtain the free coverage required to be provided under this bill.

Accordingly, for the foregoing reasons, PCI urges your Committee NOT to advance this bill.